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TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

SIXTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its sixth session on 18 June 1981.

Adoption of the agenda

2. The Committee adopted the following agenda:

1. Adoption of the report on the fifth session
2. Information required by the Committee:
   - (a) Replies to Questionnaire 2
   - (b) Summary tables
   - (c) Other information
3. (a) Review of the market situation for products covered by the Protocol
   - (b) Discussion concerning butter consumption
4. Other business

Adoption of the report on the fifth session

3. The Committee adopted the report on its fifth session with an amendment submitted by the representative of South Africa. The report will be circulated as document DPC/C/8.

Information required by the Committee

(a) Replies to Questionnaire 2

4. The Committee reviewed the replies to Questionnaire 2 and requested members which had not yet communicated information for the first quarter of 1981 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 2 relating to the second quarter of 1981 should reach the secretariat not later than 15 September 1981.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.5) prepared in accordance with Rule 28 of the Rules of Procedure and incorporating the data provided in Table A of Questionnaire 2. The Committee took note of the document.

(c) Other information

6. The Committee was informed of the results of the meeting of experts held on 17 June 1981 to examine in particular the adequacy of the questionnaires concerning the various products. It noted in particular that stress had been laid on the importance of being able to have the most precise and complete possible data concerning stocks. It also noted that in Table A, under "Total exports", mention should be made of the quantities furnished as food aid. It further noted that the exchange rate used in reporting the value of imports and exports as well as prices in international trade should be indicated. The model of Questionnaire 2 would be circulated in the three working languages as document DPC/F/W/3.

Review of the market situation for products covered by the Protocol

Discussion concerning butter consumption

(a) Current market situation and outlook

7. The representative of New Zealand made a general statement on the market situation. New Zealand's manufacturing milk production during the 1980/81 season had fallen slightly from the previous season's record 290,900 metric tons milk fat processed to approximately 282,000 metric tons. This downturn had resulted from less-favourable climatic conditions during the autumn compared to the exceptional autumn conditions in the previous season. Earlier, exceptional spring conditions had got the 1980/81 season off to a very good start. He said that international market prices in the first six months of 1981 had tended to settle around the improved levels achieved by the end of 1980. Most products had remained in tight supply following the significant reduction of EEC surplus stocks. International demand, despite the increase in prices, had been maintained, and even increased, in most products. EEC export subsidies had remained unchanged since March 1981. However, EEC export prices were currently determined by earlier prefixed subsidies which were higher than current subsidies. In the view of his delegation these prefixations will influence EEC f.o.b. prices until they run out. In addition, the recent strengthening of the United States dollar vis-à-vis European currencies had reduced EEC f.o.b. prices in United States dollar terms. He pointed out that the international butter market had continued to firm with low EEC surplus stocks, and continuing strong demand for butter, especially in Eastern Europe. No slackening in import demand by the USSR was expected, and,

for 1981, imports by the USSR could be between 150,000-200,000 metric tons. The emergence of large surplus butter stocks in the United States, with their overhanging effect on the market, particularly coupled with rumours of subsidized exports by the United States had introduced some market uncertainty. Continued market stability would depend on United States policies regarding the disposal of these surplus stocks. He pointed out that as a result of EEC subsidy prefixations, offer prices were currently as low as US$2,100 per metric ton f.o.b. compared to over US$2,300 per metric ton f.o.b. applicable to current subsidy levels (on current exchange rate US$1 = ECU 0.949129). Currently, New Zealand butter price (bulk salted basis) was around US$2,200 per metric ton f.a.s. For anhydrous milk fat, as for butter, EEC prices continued well below those applicable to current export subsidy levels, and recent offers were around US$2,400 per metric ton f.o.b. compared with over US$2,700 per metric ton f.o.b. resulting from the current export subsidy. Current New Zealand anhydrous milk fat price for major continuing trade was around US$2,500 per metric ton f.a.s. Butter exports in 1981 could be expected to remain stable in relation to 1980.

8. The representative of the European Economic Community thought that total production of butter and anhydrous milk fat in 1981 could increase by about 2 per cent over 1980. In the first eighteen weeks of 1981, however, butter production was believed to have been 1.2 per cent lower than in the corresponding period of 1980. From certain indications, total exports of butter and anhydrous milk fat in 1981 could be expected to remain at practically the same level as that of the preceding year. The main destinations included certain countries of Eastern Europe, OPEC and the Mediterranean region. Demand from certain countries of Eastern Europe was particularly strong. Butter stocks had continually declined and publicly and privately held stocks amounted to roughly 25,000 and 130,000 tons, respectively. He informed the Committee that the 9 per cent increase in the target price of milk as from 6 April 1981 had resulted in an identical increase in the intervention price for butter. The rise in the value of the United States dollar on foreign-exchange markets had, however, brought about a net reduction in the Community's offer prices in dollar terms. Offer prices were currently between US$2,330 and US$2,360 f.o.b. per ton for butter and between US$2,780 and US$2,900 f.o.b. for anhydrous milk fat.

9. The representative of the United States said that milk production in 1981 could increase by 2 to 4 per cent over 1980. While cow numbers had remained relatively constant, (but about 1 per cent above a year ago), increased feeding of grains and concentrates had resulted in greater yield per cow. Because the 1 April support price had not been raised and there was uncertainty about the support level for this autumn, some dairy farmers might now consider the income earning ability of their marginal cows insignificant to offset increased production expenses and so might raise their culling rate. However, with the large number of replacements available, the dairy herd would likely

remain near present levels throughout the year. Milk output per cow on a daily average basis during the first quarter had been up, but with the concentrate feeding unchanged from a year ago, gains in output per cow should be less in the second quarter. Increased yields will come through improved genetic effects and the removal of marginal cows. Concerning wholesale prices, he said that the prices for butter, cheese, and skimmed milk powder in the wholesale market had remained unchanged from mid-October 1980 to mid-June 1981. The combined effects of no 1 April support price increase and large commercial stocks, weak consumer use and expanded milk production had acted in concert to maintain prices near the mid-October level. In turn, there had been a slowing in the year-to-year retail milk and dairy product price increases so far this year, and in fact, they might abate somewhat this summer. Production of butter during January-April had been up 11 per cent from a year earlier. The commercial use of milk and dairy products on a milk equivalent basis should increase from last year's weak second quarter. Without the 1 April support price increase, wholesale and retail price increases should continue to slow this summer. In addition, higher consumer income and higher meat prices will make dairy products relatively more attractive. On balance, use of milk and dairy products should be up somewhat in 1981. On a per capita basis consumption of all dairy products will likely be unchanged during 1981. Commercial stocks of dairy products on a milk equivalent basis at the beginning of the year had been above the 1980 level, but in relative amounts they had declined since March 1981. The normal build-up in stocks that occurred during the flush period had not occurred this year, probably because of the result of increased interest rates. He informed the Committee that purchases of dairy products by the Commodity Credit Corporation between January and May 1981 amounted to the equivalent of 7.7 billion pounds of milk (approximately 3.5 million tons). This was a significant increase in purchases over the same period in 1980. It was expected that government removals of dairy products would taper seasonally in the coming months. In addition, the quantities of dairy products would likely not match the large level of removals of last autumn, particularly as commercial disappearance was likely to improve.

10. The representative of the United States referred to certain rumours concerning a decision by his Government to export butter held by the Commodity Credit Corporation. He said that this subject had been discussed. He stressed, however, that no decision had been made. If such a decision would be made, it would be in conformity with the commitments of his country under the International Dairy Arrangement. He noted that the new farm legislation including a dairy programme was still under consideration by the Congress. He could not at the present stage comment on this programme. When this legislation would be passed and signed, a notification on this subject would be communicated to the GATT secretariat.

11. The Committee indicated that it hoped that the decisions or measures taken by the United States in the dairy sector would be notified to the GATT secretariat without delay.

12. The representative of Switzerland said that milk production might rise slightly in the second quarter of 1981. For the whole of the current milk-production year it was probable that milk deliveries would show a very small increase. Butter production in the first quarter of 1981 had been 2 per cent lower than in the corresponding quarter of 1980. Production for the second quarter of 1981 could be expected to remain stable in relation to the second quarter of 1980, but for 1981 as a whole, butter production could increase slightly. The size of the increase would depend on the trend of milk deliveries to dairies as well as on the extent to which limitations would be imposed on cheese production. The statistics for the first quarter of 1981 showed that butter consumption had been about 11 per cent lower than in the corresponding quarter of 1980. The decline was purely statistical and not real, since dealers had made massive purchases at the end of 1980 in anticipation of the increase in butter prices scheduled for 1 January 1981. In the statistics, those quantities came under the heading of consumption and not of stocks. For 1981, there would be a statistical decline in consumption corresponding to the increases which occurred in 1980. Actually, real consumption of butter in Switzerland remained stable. Butter imports in 1980 had increased significantly over 1979. For 1981 as a whole, imports might see a slight decline from the level of 1980.

13. The representative of Finland said that production of milk had increased in his country in the previous year. This increase recorded was the result of increased average yield per cow. The increase in milk production had continued during the first months of 1981. It was estimated that total milk production and deliveries to the dairies would decrease in 1981 due to various measures taken in order to curb milk production. Since 1977, agreements on changes in production line had been introduced to encourage milk producers to change over to other products. The slaughter programme that had been in effect in 1980 for dairy cows suffering from mastitis had been extended. A new voluntary system based on agreements between the State and milk producers would come into force on 1 July 1981. According to these voluntary agreements, producers having signed such agreements would commit themselves to curb their milk production by at least 25 per cent as compared to the production of the previous year. These agreements were made for three years. Those various measures should be reflected in a production slowdown toward the end of the year. As to the market situation, it was estimated that the level of butter production in 1981 would remain stable in relation to the 1980 level. Butter exports could be expected to increase in 1981 to between 15,000 and 16,000 tons, the main destination being the USSR, which might import approximately 8,000 tons of butter under the trade agreements signed between the two countries.

14. The representative of Romania said that butter stocks at the end of 1980 had declined sharply to 900 tons as against the 2,800 tons at the beginning of the year. In the first quarter of 1981, production had declined to 5,800 tons and Romania had had to import 4,000 tons of butter to meet

domestic consumption, which amounted to 10,500 tons. Stocks at the end of the first quarter of 1981 had fallen to only 200 tons. He hoped that the measures taken to boost agricultural production would improve the situation by the end of the year.

15. The representative of Argentina said that milk production in 1980 had remained stable at a level of 5.2 million tons. Production of milk powder, butter and cheese had risen somewhat in 1980. As to the outlook for 1981, he stated that milk production could decline, owing to the severe floods in his country. He informed the Committee that his country's authorities had decided to establish a series of minimum prices applicable to imports of certain dairy products. The measures would shortly be notified to the GATT secretariat.

16. The representatives of Australia, Austria, New Zealand and Finland, in particular, stressed their misgivings over the announcement of those measures.

17. The Committee voiced the concern which it felt owing to the introduction of minimum prices applicable to imports of certain dairy products in Argentina and hoped that the measures would be notified to the GATT secretariat without delay.

18. The representative of Argentina stated that he would communicate to his authorities the concern just expressed in the Committee.

19. The representative of Australia estimated that milk production for the 1980/81 season could amount to 5,170 million litres, representing a decline of about 4.5 per cent from the previous season. The decline was partly due to drought. Recent rains, however, would enable the 1981/82 season to get off to a good start. Production of butter and anhydrous milk fat in the 1980/81 season would suffice for domestic requirements and for about 11,000 tons of exports. Suspension of authority to export butter, which had been instituted on 23 December 1980, remained in force. Export availability for the 1981/82 season was expected to be slightly down on the current levels. Australia's butter prices were of the order of US$2,300 per metric ton f.o.b., i.e. at about the same level as EEC offer prices.

20. The representative of Hungary said that milk production in 1980 had increased by about 3 per cent over 1979. Domestic consumption of milk and dairy products had also increased but at a lesser rate than production. As a result, exports and stocks of dairy products had risen in 1980 in relation to 1979. Butter production and consumption had also increased, by about 7 per cent in 1980 over 1979. Butter exports had amounted to 4,500 tons in 1980 and approximately 1,000 tons in the first quarter of 1981. Prices had risen continually, reaching approximately US$2,600 per ton during the first quarter of 1981 as against US$1,300 per ton at the beginning of 1980. Hungary's butter exports for 1981 were expected to remain stable in relation to 1980.

21. The representative of Norway said that milk production in 1980 had increased by 4 per cent over 1979. Consumption had also increased, however: liquid milk + 2 per cent, butter + 7 per cent, and cheese + 4.3 per cent. Production had risen sharply, at a rate close to 6 per cent, during the first months of 1981, so that new measures to limit production had been introduced: strengthening of the two-price system by raising bonuses when there was no increase in production, and a bonus (for a limited period) for the slaughter of dairy cows. Those measures had already produced results. Thus, in April 1981, production had risen only 1 per cent over April 1980. If, however, production continued to rise during the summer months, further measures might have to be taken in the fall. He added that in 1980 domestic consumption of butter had risen by about 7 per cent while production had increased by about 6 per cent over 1979. As a result, it had been necessary to import approximately 2,000 tons of butter in 1980. Norway had however already exported 2,300 tons of butter to the USSR in 1981. It could be expected that his country would export no more butter for the remainder of 1981. The Agricultural Agreement just negotiated did not provide for any increase in wholesale butter prices and that might lead to a slight increase in butter consumption in 1981 in relation to 1980.

22. The representative of South Africa said that production of butter decreased by 8.5 per cent in the first quarter of 1981 as compared to the same period of 1980. It was expected that production of butter would fall further in the second quarter due to the increased diversion of milk to cheese manufacture. In the medium term, however, output was expected to rise as a result of increased milk production following recent increases in milk prices. Demand of butter was likely to remain strong. Producer prices of fresh and industrial milk had been increased in the beginning of June 1981 by between 15 and 16 per cent to cover an increase in costs. Stocks of butter at the end of March 1981 had been at 3,900 tons. It was expected that stocks at the end of the second quarter of 1981 would be at a lower level.

23. The representative of Japan said that as a result of measures to adjust milk production, the rate of increase had fallen to 0.5 per cent in fiscal year 1980 as compared to the rate of increase of 3.3 per cent in fiscal year 1979. However, the tendency to over-production still persisted and it was possible that fresh milk production might increase in the coming years. The production of butter in 1980 had reached 64,000 tons as compared to 68,000 tons in 1979. Stocks of butter had increased to 28,000 tons at the end of the first quarter of 1981. In reply to a question concerning imports of edible fat preparations in 1981, he said that he did not have such data and that he would try to provide them at the next session of the Committee.

24. The representative of Austria said that milk production in the first quarter of 1981 had increased by only 1 per cent as compared to the same period of 1980. Subsequently, however, production had increased at a faster

rate and it was estimated to have risen, in the first five months of 1981, by about 3.6 per cent over the corresponding period of 1980. Butter production remained stable in Austria. Export prices of packaged butter were around US$2,700 per metric ton.

(b) Discussion concerning butter consumption

25. As agreed at its March session, the Committee proceeded to hold a thorough discussion on butter consumption.

26. The representative of the United States said that butter consumption had declined in his country for a variety of reasons. Health factors, competition between butter and margarine, competition between the various types of margarine depending on milk-fat content and other factors had contributed to the decline. Prices of margarine varied greatly according to brand, and certain margarines were selling at the same price as butter. Concerning the wholesale butter prices, he recalled that they had remained unchanged from mid-October 1980 to mid-June 1981. Per capita consumption of butter seemed to stabilize at around 4.6 lb. (approximately 2 kgs.). It was expected that per capita consumption would hold steady in 1981.

27. The representative of New Zealand said that butter consumption, which had amounted to 14.1 kgs. per capita in 1978/79, had declined slightly in 1979/80 to about 14 kgs. per capita. The fall in domestic butter consumption had been due to high prices. In reply to a question, he said that prices in the domestic market reflected the returns available to New Zealand's producers on the world market. He observed that in New Zealand the price of margarine was higher than that of butter. The rise in butter prices on the domestic market had, however, narrowed the price gap between butter and margarine. For that reason, New Zealand dairy producers had launched a butter promotion campaign. In reply to a further question, he explained that the price of margarine was still higher than butter mainly because margarine was produced on a smaller scale than butter; the scale of the butter industry was something like thirty times that of the margarine industry. This kept the price of margarine higher.

28. The representative of the European Economic Community outlined the measures taken in the Community to promote butter consumption. He observed that butter production always exceeded direct consumption requirements. Absolute priority had always been given to internal market measures in spite of their higher cost as compared to export refunds. Rather than stocking milk surpluses in the form of butter and skimmed milk powder, the Community had sought a longer-term solution by creating additional markets for those dairy products and it had followed that policy in spite of the considerable budgetary burdens it imposed. The Community was now harvesting the fruits of that policy of market control. Unit costs entailed in the creation of markets for dairy products had declined considerably both on the internal market

and on export markets whilst sales were increasing substantially. Intervention stocks had reached minimum levels and the amounts available for export had been reduced. As to butter more particularly, he pointed out that measures to promote consumption had, in recent years, involved apparently 1 to 1.1 million tons annually. Thus, more than half of the annual production of butter had been sold at reduced prices with subsidies which varied depending on the measure taken. He stressed that the quantities of butter sold on the internal market with the help of subsidies were higher than those exported to third countries with the help of refunds. He then listed the main activities undertaken to promote butter consumption. Sales of butter at reduced prices to armed forces and the like as well as to non-profit-making entities represented about 35,000 tons annually, the subsidy being 60 per cent of the wholesale price. Sales of butter at reduced prices for the manufacture of pastry, biscuits and bakers' wares amounted to some 105,000 tons annually, with a price reduction of almost 70 per cent of the normal price. Sales for ice-cream manufacture amounted to about 40,000 tons annually and were made at half the normal price. He also mentioned that a certain quantity of butter was sold at reduced prices for a limited period, in particular at the end of the year. Because of the rather low level of stocks such special sales of butter had not been made at the end of 1980. The measure had, however, been applied in the three previous years, quantities having varied between 80,000 and 150,000 tons, with price reductions of from 25 to 50 per cent. In addition, there had been sales in favour of social-welfare recipients; people in need could, under certain conditions, buy butter at a reduced price. Reduced-price sales of butter for processing into concentrated cooking butter had been made with a subsidy of about 60 per cent. Lastly, a general subsidy aimed at reducing the consumer price of butter had been applied in four member States, involving a total quantity of about 450,000 tons annually, with a subsidy of from 12 to 20 per cent of the normal price depending on the member State concerned. Moreover, in order to encourage milk consumption, a subsidy for "school milk" had been introduced. With additional subsidies paid by the member States, the price of milk to schools amounted to 40 per cent of the normal price. In addition, a campaign financed by funds from the co-responsibility levy had been mounted to increase consumption of dairy products. As part of that campaign, which aimed at expanding outlets, the Community was, inter alia, financing advertising and promotion campaigns in favour of consumption, market studies and also promotions in the markets of third countries. He noted that it was not easy to quantify the impact of those measures on consumption. Nevertheless, there was no doubt that consumption of dairy products had considerably increased since they were introduced.

29. In reply to a question, the representative of the European Economic Community explained that the Community had, first, tried to dispose of butter on its internal market and had adopted a passive attitude with regard to exports towards third countries. Nevertheless, in spite of the reduced refunds, commercial exports had risen substantially between 1978 and 1980. With regard to margarine, he stressed that considerable efforts had been made,

in particular through sales of butter at reduced prices, to make butyric fats competitive with vegetable fats. He pointed out that the butter market was rather homogeneous whereas the margarine market was heterogeneous, in the sense that there was an enormous range or qualities in the margarine market and hence big price differences. The majority of margarines were clearly cheaper than butter. He observed that the total consumption of fats, both of butter and of margarine, had declined. It was estimated that about one fourth of the total consumption of fats was in the form of butter and the remaining three fourths in the form of other edible fats.

30. The representative of Australia said that between 1969/1970 and 1979/1980 the production of butter had declined from 223,000 to 84,300 tons. The decline had occurred both in the export market and in the domestic consumption. Per capita butter consumption, which had amounted to 9.3 kgs. in 1969/70, had fallen to 5.8 kgs. in 1976/1977 and, according to some estimates, it had amounted to 3.8 kgs. in 1979/1980. On the other hand, per capita consumption of table margarine, which had amounted to 1.3 kgs. in 1969/1970, had risen to 4.7 kgs. in 1976/1977 and to 6.2 kgs. in 1979/1980. Adding the per capita consumption of butter and of table margarine gave a figure of 10.6 kgs. in 1969/1970, of 10.5 kgs. in 1976/1977, and of 10 kgs. in 1979/1980, i.e. a slightly declining trend for the total consumption of the two products. Those figures showed that butter had been displaced by table margarine in the Australian market, The reasons for the displacement were complicated. Prices had played some part but consumer preferences had been the main factor. It was estimated that the reduction in the per capita consumption of butter would now level off. He mentioned that numerous advertising campaigns had been undertaken in the 1970's to promote the consumption of butter. However, against this, there were the advertising campaigns run by the margarine manufacturers. He noted that per capita consumption of other margarines (cooking margarines) had declined between 1969/1970 and 1979/1980 from 3.8 kgs. to 2.6 kgs.

31. The representative of Switzerland said that a number of measures, rather similar to those of the Community, had been taken in his country to promote the consumption of butter in the domestic market. In Switzerland, butter was sold at prices considerably below cost, with the help of subsidies. The subsidy for table butter amounted to about 25 per cent of the cost price. Cooking butter, which consisted partly of imported butter and partly of domestic butter, was sold at a much lower price than table butter. Resolidified butter was also sold at reduced prices and was supported by a large subsidy. In addition to the pricing measures mentioned, special campaigns were mounted from time to time to promote in particular the consumption of first quality table butter. Current budgetary problems, however, made it difficult to continue such special campaigns. With regard to the price relationships of butter and vegetable fats, he said that vegetable fats were taxed at import in order to maintain a certain price ratio between animal and vegetable fats. The import taxes on vegetable fats had the effect of raising margarine prices to a level slightly lower than that of cooking butter. Advertising campaigns had also been undertaken to promote butter consumption.

32. The representative of South Africa said that his country had experienced the phenomenon of a tremendous decline in butter consumption because of competition with margarine. Before 1969/70, sales of margarine were permitted but the product could not be coloured. Beginning in 1969/70, manufacturers were allowed to add colouring matter to margarine. The consumption of butter had declined between 1969/70 and 1979/80 by about 70 per cent. Steps had been taken to promote butter consumption and approximately US$1 million annually had been spent on advertising in favour of dairy products. In addition, a large-scale advertising campaign to promote the sale of butter was at present in operation. Promotions, during which butter was sold at levels below normal trade prices, were held periodically. Such sales were financed from the Dairy Industry Control Board's Stabilization Fund. Moreover, the price of butter was subsidized, the subsidy amounting at present to some 9 per cent of the retail price, which was US$3.34 per kg.

33. The representative of Austria said that in his country the use of colouring matter and preservatives in the manufacture of butter was not permitted. He added that advertising campaigns to promote consumption whether of butter or of margarine had resulted only in a meagre increase in the consumption of the two products. The ratio between butter and margarine consumption had been rather stable. Consumers in Austria were becoming less and less inclined to use products containing food additives. Margarine contained such additives while butter did not. The advertising campaigns conducted by the dairy industry to promote the consumption of butter had used that argument, with emphasis on the fact that butter was a natural product. With regard to other measures taken to promote butter consumption, he said that the army and hospitals could obtain butter at reduced prices throughout the year, the reduction amounting from 10 to 15 per cent of the normal price. In addition, sales had been held once or twice a year, with a reduction of about 20 per cent from the normal price of butter.

34. The representative of Finland said that in his country the consumption of dairy products, and particularly of butter, continued to be rather high. In 1976, the share of butter in the per capita consumption of fats (butter and margarine) amounted to about 60 per cent. In 1979, it amounted to 62.3 per cent and in 1980 to 57.4 per cent. Actually, it was in the sector of fats as a whole that consumption had declined. In conclusion, he stated that the ratio between the butter and margarine prices had remained constant in recent years, in the sense that if the price of butter rose, the price of margarine increased correspondingly.

35. The representative of Sweden said that in 1980 butter production had amounted to 40,500 tons while that of edible fats derived from butter and vegetable oils ("Bregott") had amounted to 23,600 tons. The production of low-fat margarine in 1980 had amounted to 13,700 tons. Butter consumption, which had amounted to some 30,000 tons in 1980, represented approximately 68 per cent of that in 1970. The consumption of butter and mixed products in 1980 had amounted to about 142 per cent of 1970 consumption.

36. The representative of New Zealand pointed out that the Eastern European countries had become large importers of dairy products and he felt that it would be useful for the Committee to be informed of consumption trends in those countries. According to certain estimates, the per capita consumption of butter in the German Democratic Republic had risen from 14.7 kgs. in 1974 to 15.2 kgs. in 1977. In Poland, per capita butter consumption was believed to have increased between 1974 and 1979 from 5.6 kgs. to 8.8 kgs. In the USSR per capita butter consumption was reported to have risen from 5 kgs. in 1974 to 5.4 kgs. in 1978. It could be seen from those incomplete estimates that consumption trends differed depending on the country concerned. Per capita consumption had risen rapidly in Poland, while the increase in the USSR appeared to be lower. He pointed out that although the trends in those markets were quite good, prospects for sales of butter, especially to the USSR, in the medium term, seemed to be problematic.

37. The representative of the European Communities said that the information provided by the representative of New Zealand was important. Nevertheless, such information should be treated cautiously, especially as precise indications on the development of the dairy herd and on the outlook in the USSR were not viable.

38. The representative of the United States said that according to certain projections, milk production might decline slightly in the USSR in 1981. The USSR's butter production had dropped by 4 per cent in 1980 in relation to 1979. A comparable decline in the USSR's butter output had been projected for 1981.

39. In reply to a question on probable consumption trends for dairy products in the OPEC countries and certain Middle Eastern countries, the representative of the European Economic Community said that exports of dairy products, in particular anhydrous milk fats, whole milk powder and cheese, to those countries had increased considerably in 1980.

40. The Committee was of the opinion that the discussion concerning butter consumption had been interesting. In view of the importance of consumption for the market stability of dairy products, it was agreed that consumption trends should be regularly examined by the Committee.

Other business

Adoption of the report to the Council

41. In accordance with the terms of Article VII, paragraph 2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted the report it must make to the Council. The report, covering the work of its sixth session, would be circulated as document DPC/F/7.

Date of the next session

42. Under the provisional calendar of meetings, the next sessions of the Committees and the Council were to be held from 21 to 23 September 1981 and on 24 and 25 September 1981, respectively. It was proposed that all of those sessions should be postponed by one week. Accordingly, the Committees would meet from 28 to 30 September 1981 and the Council on 1 and 2 October 1981, subject to consultations with the delegations and confirmation by the secretariat. Under the new calendar, the Committee of the Protocol Regarding Milk Fat would hold its next session on 30 September 1981, subject to confirmation by the secretariat.